

Legislative Audit Division

State of Montana



Report to the Legislature

December 2000

Financial-Compliance Audit For the Fiscal Year Ended June 30, 2000

Board of Investments

Department of Commerce

We performed a financial-compliance audit of the Board of Investments for the fiscal year ended June 30, 2000. This report contains the audited financial statements and accompanying notes for fiscal year 1999-00. We issued unqualified opinions on the financial statements of the Board of Investments' Retirement Funds Bond Pool, Trust Funds Bond Pool, Short Term Investment Pool, Montana Stock Pool, Montana International Equity Pool, Montana Real Estate Pool, All Other Funds, and Enterprise Fund.

**Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705**

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

December 2000

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Board of Investments (board) for the fiscal year ending June 30, 2000. We performed this annual audit of the Board of Investments in compliance with Article VIII, section 13 of the Montana Constitution, and section 17-6-321, MCA. The objectives of our financial-compliance audit included determining if the board's financial statements presented fairly its financial position and results of operations at and for the period ending June 30, 2000, with comparative combined totals at and for the period ending June 30, 1999, and the board's compliance with applicable laws and regulations.

The Board of Investments, originally created in 1971, is attached to the Department of Commerce for administrative purposes. The board employs an executive director and an investment officer who in turn hire and manage board staff. The staff members advise the board, implement its decisions, and perform daily investment, economic development, and record keeping functions. Included in this report is a list of the members of the Board of Investments and Administrative Officials of the Board of Investments (page i).

This report contains unqualified Independent Auditor's Reports for each of the following eight sets of financial statements of the Board of Investments (page iii): Retirement Funds Bond Pool, Trust Funds Bond Pool, Short Term Investment Pool, Montana Stock Pool, Montana International Equity Pool, Montana Real Estate Pool, All Other Funds, and Enterprise Fund. The Independent Auditor's Reports cover two fiscal years because the board presents two fiscal years in the financial statements for comparative purposes. The board's response to this report is on page I-1.

This report does not contain any recommendations to the board. The prior financial-compliance audit report, issued for fiscal year 1997-98, did not include any recommendations to the Board of Investments.

We thank the members of the Board of Investments and their staff for their cooperation and assistance during the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Appointed and Administrative Officials

Montana Board of Investments Members

		Term <u>Expires</u>
Troy McGee, Sr., Chairman	Helena	1/2001
Dick Anderson	Helena	1/2001
Douglas Bardwell	Huson	1/2003
Maureen Fleming	Missoula	1/2003
Joy Ott	Billings	1/2001
Bill Price	Lewistown	1/2001
Lee Robinson	Malta	1/2003
Tim Ryan	Great Falls	1/2001
Calvin Wilson	Busby	1/2003

Administrative Officials Department of Commerce Board of Investments

Carroll South	Executive Director
David Ewer	Deputy Director
James R. Penner	Chief Investment Officer
Gayle L. Moon	Accounting Fiscal Manager

For further information on the Montana Board of Investments
contact Carroll South, Executive Director, at:

PO Box 200126
Helena MT 59620-0126
(406)444-0001

e-mail:csouth@state.mt.us

Members of the audit staff involved in this audit were Jeane Carstensen-Garrett, Charles

Appointed and Administrative Officials

Nemec, and Julie M. Ripley.

**Independent Auditor’s
Reports & BOI Financial
Statements**

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Montana Board of Investments	I-1

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Retirement Funds Bond Pool, as of June 30, 2000 and 1999, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Retirement Funds Bond Pool, as of June 30, 2000 and 1999, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000

LEGISLATIVE AUDIT DIVISION



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John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Trust Funds Bond Pool, as of June 30, 2000 and 1999, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Trust Funds Bond Pool, as of June 30, 2000 and 1999, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000

LEGISLATIVE AUDIT DIVISION



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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Short Term Investment Pool, as of June 30, 2000 and 1999, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Short Term Investment Pool, as of June 30, 2000 and 1999, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
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November 3, 2000

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Montana Stock Pool, as of June 30, 2000 and 1999, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Montana Stock Pool, as of June 30, 2000 and 1999, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

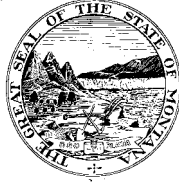
Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000

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Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Montana International Equity Pool, as of June 30, 2000 and 1999, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Montana International Equity Pool, as of June 30, 2000 and 1999, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000

LEGISLATIVE AUDIT DIVISION



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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Montana Real Estate Pool, as of June 30, 2000 and 1999, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Montana Real Estate Pool, as of June 30, 2000 and 1999, and its changes in net asset value and investment income and distribution for the fiscal year then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000

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James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Statement of Investments Managed for the state of Montana Board of Investments, All Other Funds, as of June 30, 2000 and 1999, and the related Statement of Investment Income and Statement of Changes in Investments Managed for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the investments managed by the state of Montana Board of Investments, All Other Funds, as of June 30, 2000 and 1999, and its investment income and changes in its investments managed for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000

LEGISLATIVE AUDIT DIVISION

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Montana Board of Investments:

We have audited the accompanying Balance Sheet of the Enterprise Fund of the state of Montana Board of Investments as of June 30, 2000 and 1999, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and Statement of Cash Flows for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Enterprise Fund of the Montana Board of Investments and are not intended to present fairly the financial position and results of operations of the state of Montana in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the state of Montana Board of Investments' Enterprise Fund as of June 30, 2000 and 1999, and the results of its operations and cash flows of its Enterprise Fund for the fiscal years then ended in conformity with generally accepted accounting principles.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

November 3, 2000



MONTANA DEPARTMENT OF COMMERCE

Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126

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Rate Line: (406) 444-3557

NOV 30 2000

November 30, 2000

Scott A. Seacat, Legislative Auditor
Legislative Audit Division
Room 135, State Capitol
Helena MT 59620-1705

Dear Scott:

We compliment your staff for completing a complex audit of our financial operations in a professional manner. We appreciate the services your staff provides to the Board.

The fact that the audit report contains unqualified opinions on the financial statements and no recommendations is primarily due to the dedication of the accounting staff. The accounting staff and their supervisor have worked diligently to comply with the applicable internal control and accounting standards.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carroll South".

Carroll South
Executive Director